

Page 4598

Page 4600

1 parameters under which they would develop that
2 interface. I did not receive that for Bell
3 Atlantic. I felt that this was just an introduction
4 to what's going to happen.

5 So if there's anything that you can do
6 from your perspective to move that process along so
7 we could better understand what is being provided,
8 so we could make our own internal decisions and
9 build the cases to contribute money to develop these
10 interfaces.

11 A. [MILLER] All I can say -- I'm not familiar
12 with the e-mail that you're citing.

13 Q. It's a list of e-mails; it's not one.

14 A. [MILLER] In fact, we don't have anyone here
15 on this panel to address loop qualifications, which
16 I think is what you're referring to. I understood
17 when Mr. White was here last week he was prepared to
18 discuss those issues. But we have no one here right
19 now available to discuss those issues.

20 MR. SZAFRANIEC: Thank you.

21 EXAMINATION

22 BY WITNESS KATZMAN:

23 Q. You referenced 99 percent up time during
24 prime time. What is --

1 Q. I had a question for Mr. Toothman, to follow
2 up on the hearing examiner's question, because I
3 believe you manage the change-control process, and
4 maybe you can give a little bit more feedback to the
5 issue I raised in my introductory comments about
6 multiple queries being returned all at once, as
7 opposed to one at a time. I believe that was a
8 change-control issue that did not make it past the
9 preliminary list or did not make it into the
10 scheduled area. Can you address that?

11 A. [TOOTHMAN] I'm aware of a change-control
12 request initiated by Rhythms asking that an entire
13 transaction be edited at once. We were looking at
14 that more than just the GUI, through the entire
15 systems, as the LSR or the order moves down the
16 line, all systems. I'm not familiar with the
17 upfront editing of the GUI itself. We are looking
18 at that request. I'm not sure of the priority of
19 that request.

20 Q. I'm not, either.

21 A. [TOOTHMAN] But it is something that we are
22 looking at. If we want to focus more succinctly on
23 just the GUI, then we could do that.

24 Q. I have one followup question for

Page 4599

Page 4601

1 A. [MILLER] I said 99.93 percent, actually, is
2 the quotation. But our measurement expert is more
3 qualified to answer that precisely than I am.

4 A. [CANNY] Prime time is defined as 6:00 a.m.
5 to midnight Monday through Saturday, excluding
6 holidays. That's in the carrier-to-carrier
7 guidelines, PO-2, OSS interface availability.

8 MR. SALINGER: We missed it, even though
9 you were clear: Monday through what?

10 WITNESS CANNY: Monday through Saturday,
11 excluding holidays.

12 Q. Does that exclude scheduled outages?

13 A. [CANNY] At this time it does not.

14 Q. So scheduled outages will be included in
15 there. In other words, it's 99.93 percent even
16 though the system may have been taken down for five
17 or six hours on a day's schedule.

18 A. [CANNY] That's correct. Most of our
19 scheduled outages occur on Sunday or after midnight
20 on Saturday. There is consensus to make a change in
21 the guidelines such that scheduled outages provided
22 well in advance through the change management
23 guidelines are excluded, but at this time they are
24 not.

1 Mr. Sampson: Wholesale services including UNE loops
2 are not available electronically. Is that just
3 Massachusetts, or is that across the Verizon
4 footprint? And would that affect -- I assume that
5 would affect UNE loops ordered by Covad.

6 A. [DeVITO] Would you repeat that.

7 Q. Mr. Sampson's statement about all wholesale
8 services, including UNE loops, the billing is now
9 available electronically: I wanted to verify,
10 because I believe in conversations as recently as
11 the last couple of weeks with folks in our billing
12 reconciliation group in California, that we're still
13 getting all of our bills on paper for all services,
14 and I wanted to find out if that's something that we
15 just haven't asked the right question or if it's
16 something that is so new that we just didn't know it
17 was available.

18 A. [SAMPSON] In Verizon North, in New York and
19 New England, the statement I made is absolutely
20 correct. All products that we sell are now
21 currently available electronically. In the south we
22 are in the process of converting from the BARM to
23 the Boston BDT, and that product is beginning to
24 become available this month.

Page 4602

1 Q. Is there some action that the CLECs have to
2 take in order to start getting electronic bills?
3 I'm concerned, because in response to one of the
4 data requests I wanted to review some billing
5 records and they told me it would take them weeks
6 and weeks to go through thousands of pages of paper
7 bills. So I'm curious to know whether this is
8 something that I should get on the phone on my way
9 home and say, "Call Richard Sampson to get
10 electronic bills."
11 A. [SAMPSON] The way to change the bill media
12 that you get -- and I assume you're referring to the
13 south?
14 Q. At this point right now we don't get it for
15 anywhere.
16 A. [SAMPSON] Contact your account manager and
17 make the request. They will notify appropriate
18 Verizon people and will get the process changed to
19 change your bill medium.
20 Q. Thank you. That's all I have.
21 MS. CARPINO: Are there any other
22 questions before we go to AT&T and WorldCom?
23 MR. PETRILLA: I just want to understand
24 the process we're using. Are we also going to do

Page 4604

1 order, the LSR, in the center and there was
2 inaccurate information or a clarification needed,
3 the Verizon representative would then query it back
4 for additional information.
5 Q. My question went to how would Covad check
6 such a query?
7 A. [BARRY] It would appear the -- the query
8 would appear under the Covad negotiator's work list.
9 Q. The Covad negotiator's work list. Well,
10 Covad uses GUI; right? Is that a no, yes, maybe?
11 A. [BARRY] Yes.
12 Q. Now, for a CLEC like Covad that uses the
13 GUI, to check for a query, what do you have to do?
14 A. [McLEAN] You log onto the GUI and you
15 inquire on the service order, on the LSR.
16 MS. CARPINO: Could you speak up a
17 little.
18 A. [McLEAN] The Covad representative would log
19 onto the Web GUI and would inquire on that LSR, and
20 they will be represented with the LSR and a query
21 message, if there is one, as well as other
22 notifiers. So if there was a local service
23 confirmation, a provisioning completion, or a
24 billing completion, it would appear in response to

Page 4603

1 attorney cross questions now?
2 MS. CARPINO: Yes. Off the record.
3 (Discussion off the record.)
4 MS. CARPINO: Let's go back on the
5 record. Mr. Petrilla?
6 CROSS-EXAMINATION
7 BY MR. PETRILLA:
8 Q. On Paragraph 57 of the supplemental OSS
9 affidavit there's a statement in the first line.
10 "Covad, like all CLECs, should be checking for
11 Verizon queries on a regular basis."
12 MS. CARPINO: Mr. Petrilla, where are
13 you reading?
14 MR. PETRILLA: This is Paragraph 57 of
15 the supplemental OSS affidavit. It's the first
16 sentence.
17 Q. Which witness should I direct my questions
18 about that statement to?
19 A. [MILLER] I believe Mr. Barry should address
20 that question.
21 Q. Mr. Barry, how exactly would Covad be
22 checking for queries on a regular basis?
23 A. [BARRY] The query would come back to the
24 Covad negotiator. For example, if we received the

Page 4605

1 that query.
2 Q. To do that, if I understand you, you take
3 the order number and you type it into the GUI, and
4 the GUI will come back at you with basically a log
5 of some sort that will tell if you there's been a
6 query or not; right?
7 A. [McLEAN] Yes.
8 Q. Now, how long does it take to do this for an
9 individual order, to type this in? A minute, a
10 minute and a half? What do you think?
11 A. [McLEAN] Seconds.
12 Q. Seconds. So does that include the time for
13 somebody to actually have the list of these numbers?
14 A. [McLEAN] If the rep has the number and
15 types it in, the time to type it in and get the
16 response is seconds.
17 Q. Now, what Bell Atlantic is saying here is
18 that Covad should be checking all of its orders that
19 it's placed, even if those orders have gone to
20 completion? In other words, the customer has
21 service? Should we be checking those orders for
22 queries?
23 A. [BARRY] Why don't I take it. We provide a
24 series of messages. First of all, if it's a query,

Page 4606

Page 4608

1 there are standardized query messages that the reps
2 are using to simplify why they're looking for
3 information. Your question is, is it Covad's
4 responsibility to check their order?

5 Q. No.

6 A. [BARRY] Could you ask it again, please?

7 Q. The question is, should Covad be checking
8 all of its orders, even the ones that have been
9 completed, where the customer has the loop, Covad is
10 providing service, and is no longer treating that
11 order as an outstanding order? Should we check all
12 those?

13 A. [BARRY] It's suggested you do. But I can't
14 speak for Covad. What I can say is, the other CLEC
15 and reseller community members like to have this
16 information so they can check the status of their
17 orders. They can see when it's going to go to
18 billing, so they can hand it off to billing. If
19 they're going to miss an order, miss a due date, if
20 they have a query, they can respond and keep their
21 orders flowing.

22 Q. How long should Covad be checking these
23 orders even after they've gone to completion? Six
24 months, a year, two years?

1 McLean, if you were trying to devise an efficient
2 system to help people correct errors, would that
3 system be one where the errors were presented to
4 them in bulk format and they would then know that an
5 error existed with an order because it was sent back
6 to them in, for instance, an error-only file? Or
7 would you force them to go through every order,
8 whether it's good or bad, to determine whether or
9 not there is an error with it? Which one of the two
10 of those options is good system design?

11 A. [McLEAN] You design the system based on all
12 system requirements, of which error handling is one.
13 So I would evaluate the error-handling requirements
14 in light of all of the system requirements for that
15 system.

16 Q. Is it technically feasible for Verizon to
17 send queries in one file that says, "Here are all
18 your queries. You placed 10,000 orders over the
19 last month. Here are 500 queries"? Is it possible
20 for Verizon to do that?

21 A. [McLEAN] If you are using an application-
22 to-application interface, you will get errors back
23 in a file.

24 Q. I don't dispute that, but I'm talking about

Page 4607

Page 4609

1 A. [BARRY] From what I've seen from other
2 CLECs and resellers, they wait until they get their
3 billing completion notice.

4 (Pause.)

5 A. [BARRY] You'd follow it up or follow it up
6 until you get a completion notice.

7 Q. Now, Bell Atlantic provides the completion
8 notices over the GUI, right?

9 A. [BARRY] That's correct.

10 Q. So Covad would have to be checking every day
11 until it got some sort of completion notice, is what
12 you're saying.

13 A. [BARRY] It could be every day.

14 Q. Are you aware of the kind of volumes that
15 Covad is processing?

16 A. [BARRY] I don't have exact numbers, but I
17 know compared to the volumes that come through, that
18 I know that other CLECs and resellers are following
19 this format if they choose to.

20 Q. I don't know your credentials, but I take it
21 you probably have some background in system design;
22 right?

23 A. [BARRY] No, I do not.

24 Q. Does somebody on the panel have? Ms.

1 the GUI, because that's what Covad uses.

2 A. [McLEAN] That's not how the GUI is
3 designed.

4 Q. But my question is: Is it possible for
5 Verizon to return to a carrier like Covad a group of
6 all the errors that have occurred in Covad orders?

7 A. [McLEAN] It is my understanding that that
8 is the nature of the change request that Covad has
9 brought to change management or Rhythms has brought
10 to change management, and it's being discussed in
11 that forum.

12 Q. I think you may have a misunderstanding. A
13 change request had to do with the GUI's ability to
14 diagnose all of the problems in a particular order.
15 My question goes more to is it possible for Verizon
16 to take all of the queries that are outstanding for
17 the entire group of Covad orders and provide those
18 queries to Covad in a single document, as opposed to
19 piecemeal, where Covad would have to go and look up
20 each single one?

21 A. [McLEAN] The current design of the system
22 is to return the queries with respect to individual
23 PONs for LSRs.

24 Q. But is it possible --

Page 4610

1 A. [McLEAN] It would require systems to be
2 redesigned. It would require a new design and new
3 coding, testing, implementation.
4 Q. Mr. Miller, I think this question goes to
5 you. How many CLECs that provide DSL are currently
6 up and running with Verizon using EDI for preorder
7 and order?
8 A. [MILLER] I would have to go back and ask
9 for that. I don't know the answer to that.
10 MR. PETRILLA: We would like to make
11 that as a data request.
12 MS. CARPINO: That is something that you
13 could get for us tomorrow?
14 WITNESS MILLER: Yes, I believe so.
15 MR. PETRILLA: Well, we don't need it
16 tomorrow, as long as it's provided timely.
17 MS. CARPINO: It may not need a record
18 request, then, if it's information they could
19 provide tomorrow morning.
20 Is that possible, Mr. Miller, tomorrow
21 morning?
22 WITNESS MILLER: I believe so, yes.
23 A. [MILLER] But could I just clarify this for
24 a second? You said, Mr. Petrilla, that this was for

Page 4612

1 changes are set forth in Exhibit E; is that correct?
2 A. [McLEAN] Yes.
3 Q. Do you have Exhibit E, that we can turn to?
4 It's attached to the affidavit.
5 A. [McLEAN] Yes.
6 Q. In that exhibit you describe a series of
7 changes that were made to fix the problems that were
8 occurring with the GUI and that those changes were
9 made in the May and June time frame. Is that
10 correct?
11 A. [McLEAN] Yes.
12 Q. Can you explain why it was that Bell
13 Atlantic sent this notification to the CLECs on July
14 25th and not sooner, when the changes were actually
15 being made?
16 A. [McLEAN] We wanted to ensure that the
17 changes we had made in fact addressed the problems
18 we were observing.
19 Q. So basically Bell Atlantic wanted to wait an
20 entire month after the last change was made -- I
21 think it was on June 27th -- before it notified the
22 CLECs that it was making changes to the GUI to
23 correct for the problems, these same problems, that
24 the CLECs were opening trouble tickets on?

Page 4611

1 both preorder and order; is that correct?
2 Q. That's correct. If you want to, though, you
3 could break that down. For instance, if you have
4 somebody that's not doing order but that's doing
5 preorder, that would be helpful information.
6 A. [MILLER] And you're referring to the
7 Massachusetts domain, of course?
8 Q. Yes. I'm referring to the Massachusetts
9 domain; I'm referring to CLECs operating in
10 Massachusetts.
11 A. [MILLER] That's what I meant. I'm sorry.
12 MR. PETRILLA: I'm finished. Thank you.
13 MS. CARPINO: Thank you. Ms. Scardino?
14 CROSS-EXAMINATION
15 BY MS. SCARDINO:
16 Q. Kim Scardino, with Rhythms. Can you turn to
17 Paragraph 27 of your supplemental affidavit, OSS
18 affidavit. In that paragraph it's described that
19 CLECs in their August 18th filing had complained
20 about the problems with the GUI, and Bell Atlantic
21 explains that on July -- excuse me, it was July 18th
22 that the CLECs filed comments -- and then on July
23 25th Bell Atlantic filed a letter explaining the
24 changes that it had made to the GUI, and those

Page 4613

1 A. [McLEAN] As the CLECs call in troubles to
2 the help desk, we respond to those individual
3 troubles. We made a series of infrastructure
4 changes here to improve the overall availability of
5 the environment, and we wanted to ensure that those
6 changes we made were in fact delivering the results
7 that we believed they were. And yes, we observed
8 that for a period of time, both in terms of our own
9 experience and the CLECs' experience, as reflected
10 in the tickets they called in to the help desk at
11 that period of time. At this period of time we
12 believed we had solved the problems they were
13 observing with those changes.
14 Q. Would you accept that CLECs would rather
15 wait until Bell Atlantic is certain that the changes
16 that it's made over a three-month period worked, and
17 find out about it later, rather than finding out
18 along the way that Bell Atlantic is in fact
19 addressing the problem that's causing the CLECs to
20 open the trouble tickets in the first place?
21 A. [McLEAN] I won't speculate on what the
22 CLECs prefer. We do provide information in both
23 forms. So when we are talking about issues of
24 availability, there are many variables that come

Page 4614

1 into play in that environment. As we detect a
2 problem, we solve that problem and we communicate it
3 through the help-desk process. This was a series of
4 changes that have interplay with one another, and we
5 wanted to ensure that the combination of things had
6 delivered the results.

7 Q. Were there any change-control notices that
8 went out during this time period from May to July
9 communicating any of these steps Bell Atlantic was
10 taking along the way?

11 A. [McLEAN] Yes.

12 MS. SCARDINO: We'd like to ask a data
13 request to see those change requests communicating
14 the upgrades or enhancements Bell Atlantic was
15 making to the GUI.

16 A. [McLEAN] It would have been through the
17 help desk.

18 Q. So not through the formal change-control
19 process, through the help desk?

20 A. [McLEAN] The formal change-control process
21 I believe that you are referring to, which is
22 managed by Mr. Toothman, manages software changes.
23 These are infrastructure changes.

24 Q. I believe you said that it was communicated

Page 4616

1 on that list would get it. The question would be do
2 we have the change controls that went out.

3 MS. CARPINO: That will be proposed
4 Record Request L.

5 (RECORD REQUEST.)

6 Q. Mr. Barry, you testified in response to
7 Mr. Katzman's comments -- he had expressed concern
8 about the fact that he didn't know that he had the
9 ability, Covad had the ability, to receive their
10 bills electronically, as opposed to on paper. Did
11 you send out any notice to the CLECs indicating that
12 they could receive their bills electronically rather
13 than on paper if they contacted their account rep?

14 A. [SAMPSON] I don't know the answer to that
15 question.

16 Q. Could you check? Could you also make that a
17 data request?

18 A. [SAMPSON] That's one that I'll try to get
19 and answer tomorrow morning.

20 MS. CARPINO: And if you did send out
21 such a notice, you'll provide that documentation?

22 Is that something you can also provide
23 tomorrow?

24 WITNESS SAMPSON: I will do my best to

Page 4615

1 from the help desk.

2 A. [McLEAN] Yes.

3 Q. Was it communicated from the help desk to
4 all CLECs, or was it communicated from the help desk
5 piecemeal to CLECs who had called in about the GUI?

6 A. [SAUTTO] If there was a change in the
7 sendouts on it, it would have been communicated to
8 all CLECs that were on the change-control list.

9 Q. Then that's where I'm confused, because you
10 said earlier it wasn't sent via change control. So
11 what I'm trying to find out: Was there any
12 notification to CLECs in this time period, when the
13 CLECs were opening these trouble tickets -- and
14 they're all set forth in Exhibit E -- anything
15 communicated to the CLECs as a whole about the steps
16 Bell Atlantic was taking to address the problem?

17 A. [SAUTTO] Specifically, you know, I'm not
18 aware of them. I'd have to go back and check and
19 see what came in to my help desk. It all comes from
20 my help desk -- not from the help desk itself, as an
21 outage would, but all change notifications go out
22 from the help-desk mailbox, no matter what
23 notification we're sending. There's a list of
24 everybody that signs up for it, and anybody who is

Page 4617

1 do that.

2 Q. To follow up on that: What kind of
3 procedures does Verizon have in place whereby it
4 notifies CLECs of changes, wholesale changes, that
5 would affect the CLECs? And I'm not talking about
6 system changes that would be communicated via change
7 control, but anything similar to the type that
8 Mr. Katzman had spoke to -- the billing records.

9 A. [SAMPSON] Richard Sampson. Industry
10 mailings are sent out on a regular basis to cover a
11 number of topics, ranging from billing issues to
12 additions of new USOCs and all sorts of
13 information -- all the things that are not part of
14 change control. These are sent out on a regular
15 basis. I think it would be fair to say there's over
16 20 per month that go out in industry mailings.

17 Q. Then we will see, probably we'll see an
18 industry mailing tomorrow from you on this point on
19 the billing, if it's available; correct? It would
20 be in the form of an industry mailing?

21 A. [SULLIVAN] I don't know if it's in the form
22 of an industry mailing. I will check.

23 Q. Finally, Mr. Toothman, there was some
24 testimony -- I believe you had stated that Rhythms

Page 4618

1 had submitted a change-control request to request
2 the ability for, when an order is submitted, to
3 receive all the errors back at once, rather than in
4 a piecemeal fashion. Is that correct?
5 A. [TOOTHMAN] That's my recollection, yes.
6 Q. Would you be willing to expedite that change
7 or prioritize that change if the CLECs agreed on the
8 next change-control call that it was something, a
9 capability that they were seeking?
10 A. [TOOTHMAN] We always work the change
11 requests in the priorities specified by the CLEC.
12 Q. So if the CLECs specified that this was top
13 priority, you would agree to expedite it?
14 A. [TOOTHMAN] You say "expedite." We have
15 reviewed the requests. We're continuing to develop
16 specifications. So we are working on the requests
17 now. I'm not sure what more can be done to expedite
18 it.
19 Q. Do you have a process where you can agree to
20 make the change or not agree to make the change?
21 A. [TOOTHMAN] We have to investigate the
22 feasibility and the cost of making the change.
23 That's what we're currently doing.
24 Q. Does that happen before the prioritization

Page 4619

1 occurs or after?
2 A. [TOOTHMAN] After.
3 Q. What I'm asking is, if the CLECs agreed to
4 prioritize this, would you then take it and do what
5 you need to do on your end to determine whether it's
6 feasible?
7 A. [TOOTHMAN] We're currently doing that now.
8 Q. You are. Okay.
9 MS. SCARDINO: That's all I have.
10 MS. CARPINO: Thank you. Off the
11 record.
12 (4:15 p.m.)
13 CERTIFICATE
14 I, Alan H. Brock, Registered Professional
15 Reporter, do hereby certify that the foregoing
16 transcript is a true and accurate transcription of
17 my stenographic notes taken on August 1, 2000.
18
19
20
21 Alan H. Brock, RDR/CRR
22
23
24

Page 4620

I N D E X

1
2
3 Checklist Item No. 4 (Hot Cuts), Page 4406
4 JULIE CANNY and THOMAS MAGUIRE
5 4418 by Ms. Reed
6 4423 by Mr. Gruber
7 4482 by Ms. Scardino
8 4484 by Ms. Lichtenberg
9 4488 by Ms. Kinard
10 4501 by Ms. Lichtenberg
11 4503 by Ms. Scardino
12 ROBERT E. POLETE and WILLIAM B. CARMODY
13 4516 by Mr. Gruber
14 4527 by Ms. Reed
15 4531 by Mr. Rowe
16 4533 by Mr. Isenberg
17 4539 by Mr. Simon
18 Checklist Item No. 2 (OSS), Page 4554
19 BOGDAN SZAFRANIEC and JAMES R. KATZMAN, Page 4555
20 4562 by Ms. Reed
21 4562 by Mr. Rowe
22 4572 by Ms. Hong
23 4572 by Ms. Carpino
24

Page 4621

1 BRIAN BARRY, MARILYN DeVITO, PAUL HAVEN, KATHLEEN
2 McLEAN, STUART MILLER, RICHARD SAMPSON, THOMAS
3 SAUTTO, SEAN J. SULLIVAN, R. MICHAEL TOOTHMAN, JULIE
4 CANNY, and BETH ABESAMIS, Page 4574
5 4588 by Ms. Reed
6 4592 by Mr. Szafraniec
7 4599 by Mr. Katzman
8 4603 by Mr. Petrilla
9 4611 by Ms. Scardino
10
11 Exhibit
12 12 4541
13
14 Record Requests
15 I 4505
16 J 4566
17 K 4571
18 L 4616
19
20
21
22
23
24

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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
DTE 99-271

TECHNICAL SESSION held at the Department of
Telecommunications and Energy, One South Station,
Boston, Massachusetts, on August 22, 2000,
commencing at 10:09, concerning:

VERIZON - MASSACHUSETTS

----- ALAN H. BROCK, RDR/CRR -----

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<p style="text-align: right;">Page 4623</p> <p>1 SITTING: Cathy Carpino, Hearing Officer 2 Tina Chin, Hearing Officer 3 Michael Isenberg, Director, 4 Telecommunications Division 5 Jeessoo Hong, Analyst 6 April Mulqueen, Analyst 7 Scott Simon, Analyst 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24</p>	<p style="text-align: right;">Page 4625</p> <p>1 Jeffrey F. Jones, Esq. 2 Kenneth W. Salinger, Esq. 3 Palmer & Dodge 4 One Beacon Street 5 Boston, Massachusetts 02108 6 for AT&T Communications of New England 7 8 Christopher J. McDonald, Esq. 9 Cynthia Carney Johnson, Esq. 10 WorldCom, Inc. 11 200 Park Avenue, Sixth Floor 12 New York, New York 10166 13 14 Mark D. Schneider, Esq. 15 Marc Goldman, Esq. 16 Jenner & Block 17 601 Thirteenth Street, N.W. 18 Washington, D.C. 20005 19 for WorldCom, Inc. 20 21 22 23 24</p>
<p style="text-align: right;">Page 4624</p> <p>1 APPEARANCES: 2 3 Bruce P. Beausejour, Esq. 4 Verizon - Massachusetts 5 185 Franklin Street, Room 1403 6 Boston, Massachusetts 02110-1585 7 8 Donald C. Rowe, Esq. 9 Bell Atlantic - New York 10 1095 Avenue of The Americas, Room 3744 11 New York, New York 10036 12 for Verizon - Massachusetts 13 14 Karlen J. Reed, Esq. 15 Regulated Industries Division 16 200 Portland Street, Fourth Floor 17 Boston, Massachusetts 02114 18 for the Office of the Attorney General 19 20 Michael B. Hazzard, Esq. 21 Kelley Drye & Warren LLP 22 1200 18th Street, N.W., Suite 500 23 Washington, D.C. 20036 24 for Z-Tel Communications, Inc.</p>	<p style="text-align: right;">Page 4626</p> <p>1 Kimberly A. Scardino, Esq. 2 Assistant General Counsel 3 Rhythms Links, Inc. 4 1625 Massachusetts Avenue, N.W., Suite 300 5 Washington, D.C. 20036 6 7 Susan Wittenberg, Esq. 8 U.S. Department of Justice 9 Antitrust Division, Telecommunications 10 1401 H Street, N.W., Suite 8000 11 Washington, D.C. 20530 12 13 ALSO SPEAKING: Robert Lopardo, MCI 14 15 16 17 18 19 20 21 22 23 24</p>

Page 4627

Page 4629

1 August 22, 2000 10:09 a.m.
2 PROCEEDINGS
3 MS. CARPINO: Let's go on the record.
4 Good morning. As we agreed to last week, I believe,
5 we're going to begin this morning with a discussion
6 of UNE pricing and rates. We have witnesses from
7 AT&T and WorldCom.
8 Mr. McDonald, would you like to
9 introduce your witnesses?
10 MR. McDONALD: We have Dr. August Ankum,
11 Vijetha Huffman, and I'm joined by co-counsel, Mark
12 Schneider, of Jenner & Block.
13 Ms. Huffman will speak first.
14 MS. CARPINO: Mr. Salinger, would you
15 introduce your witness.
16 MR. SALINGER: Mr. Thomas LoFrisco will
17 be appearing on behalf of AT&T. We've agreed that
18 WorldCom can make its presentation first, and then
19 we'll follow.
20 MS. CARPINO: Why don't I administer the
21 oath to all the witnesses right now.
22 VIJETHA HUFFMAN, AUGUST H. ANKUM,
23 and THOMAS LoFRISCO, Witnesses
24 MS. CARPINO: Do you swear or affirm

1 We would love to enter Massachusetts.
2 Massachusetts is on our top-ten list of states, just
3 bay its sheer number of households, and also because
4 of the large number of long-distance customers that
5 we have in Massachusetts. We would also benefit
6 from the synergies, from the fact that Massachusetts
7 is also in Bell Atlantic territory, just like New
8 York. Given the enthusiasm that we have generated
9 in the markets that we have entered to date, we have
10 every reason to believe that our customers would
11 like for us to enter these states and provide local
12 phone service.
13 The purpose of my testimony today is to
14 help you understand why WorldCom cannot be in
15 Massachusetts as a competitive local-exchange
16 carrier. Pricing is definitely the issue that is
17 stopping us from entering.
18 Checklist No. 2 for 271 requires UNE
19 pricing to be just and reasonable. Pricing in
20 Massachusetts is anything but just and reasonable.
21 It is set so high that it prevents companies from
22 using UNE-P to enter and compete with Bell Atlantic.
23 I'm not sure everybody here is familiar with UNE-P;
24 but UNE-P is essentially a delivery method in which

Page 4628

Page 4630

1 that the testimony you're about to give will be the
2 whole truth?
3 THE WITNESSES: Yes.
4 MS. CARPINO: Dr. Ankum? Ms. Huffman?
5 WITNESS HUFFMAN: My name is Vijetha
6 Huffman. I'm the senior manager of local business
7 analysis for WorldCom's residential division. My
8 job is to evaluate the profitability of our local
9 entry, and my analysis helps our executives make
10 decisions on which markets to enter or not enter to
11 provide local phone service. I work with Bob
12 Bebechko, and some of you may be familiar with that
13 name. He had come to Massachusetts last November
14 and met with Commissioner Vasington to discuss local
15 pricing issues on behalf of WorldCom.
16 Providing local phone service is an
17 integral part of WorldCom's residential strategy.
18 We are very interested in fostering local
19 competition across the United States. As you may be
20 aware, we entered in New York in late 1998, and we
21 have met with considerable success there. We also
22 entered Texas a few months ago, and just last week
23 we entered Pennsylvania, which is also in Bell
24 Atlantic territory.

1 we lease Bell Atlantic's network to enter and
2 provide local phone service.
3 Some of you here may be wondering why is
4 WorldCom focusing on UNE-P as a method to enter and
5 provide local phone service? Clearly there are
6 companies today that are doing it differently. We
7 have cable providers, and we also have facilities
8 providers, like RCN, that are trying to build their
9 own networks. The reason that we are focused on
10 UNE-P is because UNE-P is the only method that is
11 ubiquitous and will allow us to enter Massachusetts
12 and provide local phone service to the majority of
13 households -- in fact, to all households -- in the
14 state and to bring competition across the state on a
15 statewide basis.
16 Cable's reach currently is well under
17 half the households in the state, and consequently
18 the vast majority of households would not have
19 competition if cable was the only option. Given how
20 critical UNE-P is to our overall strategy in terms
21 of penetrating locally and how critical it is to
22 foster local competition in Massachusetts, I would
23 like to actually take a few minutes and just walk
24 you through the analysis that we go through in

Page 4631

Page 4633

1 evaluating whether we can enter a state and what our
2 current economics are in Massachusetts today.

3 As with any company, our analysis is
4 essentially really pretty simple. What we look at
5 is what are the revenues that we can bring in, and
6 then what are the costs that we would incur, which
7 gives us what profit margin we can expect to get by
8 entering. In the case of Massachusetts
9 specifically, what we have is, we would expect to
10 get some local revenue from our customers, which
11 would be approximately \$26.65. Of course, I'm
12 making several assumptions here in terms of the
13 product that we would be offering, which is actually
14 reflective of Bell Atlantic's dominant product. I
15 also want to note that it is reflective of the
16 product they offer in the Boston metropolitan area,
17 which happens to be one of the highest in the state.
18 So this is clearly the best-case scenario of the
19 revenue we would get. Some of you in the room that
20 live in this area may recognize this as being
21 approximately what you pay for local phone service.

22 We would also, as a UNE-P provider, be
23 able to collect access revenue from other long-
24 distance carriers, and we would expect to get about

1 this is before we factor in any of our internal
2 costs of operation. So the \$12.96 considers only
3 the costs that we would have to pay Bell Atlantic to
4 lease their UNE elements. It does not include the
5 costs for to us sell and market to our customers, to
6 provide customer service, to do billing, for our
7 overhead costs. It does not even factor in any of
8 those.

9 As you are aware, Z-Tel has negotiated
10 different rates with Bell Atlantic that have brought
11 the switching down, and I'll actually go through
12 those numbers quickly with you as well and you'll be
13 able to see that it does not make a big difference.
14 It does marginally improve the picture.

15 Revenue stays the same, at \$20.99.
16 There's no charge in the port and the loop charge,
17 that stay at \$4.49 and 15.66. Switching is the only
18 charge that falls, to \$15.83, for a total of \$35.98.
19 So we would still be looking at making a loss of
20 \$4.49 before we factor in any of our internal costs
21 of operation. That's what makes it so difficult
22 for MCI to contemplate entering a market like
23 Massachusetts, because clearly we're not in the
24 business of losing money.

Page 4632

Page 4634

1 \$4.24 from this, for a total of \$30.99 in revenue.

2 On the cost side, the biggest and most
3 significant cost would be what we would have to pay
4 Bell Atlantic for leasing their UNE elements, and
5 really, that essentially comes down to three parts.
6 One of them is the port, which in Massachusetts
7 costs \$4.49. I just want to point out that this is
8 actually a statewide average. We would also incur a
9 loop charge, which again on a statewide average
10 comes to \$15.66.

11 Both of these are monthly recurring
12 charges. We would have to pay Bell Atlantic these
13 charges regardless of whether our customer actually
14 picks up the phone and makes a single call. If a
15 customer actually makes calls, we would also have to
16 incur variable charges that are paid out on a
17 per-minute basis, and that would be for switching
18 and transport. Under the rates that have been
19 approved by the DTE, those would amount to \$23.80,
20 for a total of \$43.95 in costs.

21 As you can see from this, the margin
22 that leaves us with is a negative \$12.96. What
23 makes this loss for us even more difficult to bear
24 in terms of actually entering the market is that

1 I have experience with UNE pricing
2 across the country and you may be wondering how
3 Massachusetts compares with some of the other states
4 in the country. I can tell from you my experience
5 that Massachusetts is an outlier. Not only when you
6 compare Massachusetts to other territories or other
7 Bell operating regions in the country, but even
8 within Bell Atlantic's own territory, Massachusetts
9 is an outlier when you look at some of the top
10 markets.

11 For example, just to give you an idea of
12 some other rates, switching is by far the most
13 egregious in terms of its being an outlier in
14 Massachusetts. For example, in New York, where we
15 have entered, we pay less than a third of a penny
16 for switching. In Pennsylvania, where we have also
17 entered, which is also Bell Atlantic territory, we
18 pay less than two tenths of a penny for switching.
19 In Massachusetts we're buying, under the rates
20 approved by the DTE, we would be paying more than
21 seven tenths of a penny, and under even the rates
22 that Z-Tel has negotiated, we would be paying almost
23 half a penny. Clearly, as you can see,
24 Massachusetts stands alone in terms of being an

Page 4635

Page 4637

1 outlier.

2 With regards to the port charges, New
3 York is at \$2.50, Pennsylvania is at \$1.90, and here
4 again, Massachusetts is on its own, at \$4.49. There
5 is no reason for Massachusetts to be this different
6 from New York or Pennsylvania, given that the
7 switches they use are the same.

8 MS. CARPINO: And the loops for both
9 Pennsylvania and New York, do you know those
10 offhand?

11 WITNESS HUFFMAN: Yes. For New York the
12 loop is \$14.81, and for Pennsylvania it is \$14.50.
13 So clearly -- I don't want to highlight the loop,
14 because even though the loop is higher, clearly it's
15 not as if we're in a situation where the high
16 switching and the high port in Massachusetts are
17 being subsidized by a lower loop. As you can see,
18 even the loop is higher than New York and
19 Pennsylvania. And all of these UNE prices in
20 Massachusetts collectively drive a loss for us, and
21 this loss is per customer per month. For every UNE
22 line we lease, we would be looking at losing
23 anywhere from 4.50 up to \$13 every month that we
24 have this line.

1 commitment. We have entered the state. We have
2 fostered competition.

3 In terms of Massachusetts, with the
4 current pricing, as I've mentioned before, sure, you
5 have the cable companies; but again, they serve well
6 under half the population. You have options like
7 Z-Tel's premium package, but they appeal only to a
8 small minority of high-end customers. The vast
9 majority of households across the state will be left
10 with no choice unless UNE-P pricing is fixed.

11 MS. CARPINO: Dr. Ankum?

12 WITNESS ANKUM: My name is August H.
13 Ankum. I'm an outside consultant. I've been
14 involved in telecommunications issues for about the
15 last ten years. And of course since the passage of
16 the Act, much of my activities have focused on
17 examining TELRIC studies in the various states, both
18 in the SBC region and the Ameritech region, and
19 formerly NYNEX region, now Bell Atlantic region, and
20 BellSouth region.

21 My affidavit, which is a joint affidavit
22 with Ms. Huffman, focuses on Checklist Item No. 2,
23 and specifically, of course, the question of whether
24 the unbundled network element rates are cost-based.

Page 4636

Page 4638

1 Is there anything else I can clarify on
2 this point?

3 MS. CARPINO: The Bench has no
4 questions. Thank you.

5 WITNESS HUFFMAN: Given this type of
6 pricing environment in Massachusetts, what options
7 does a CLEC have? Clearly, one route is the
8 approach that Z-Tel has taken, which is to offer a
9 premium product which is feature-rich and also
10 includes a set of LD minutes. It is a product that
11 will appeal to a small, select group of high-end
12 users, and that is not WorldCom's strategy. We
13 would like to be in Massachusetts, and we would like
14 to be offering local phone service across the state
15 to every household. It is not our strategy to just
16 go after a very small and a very select group.

17 I want to end my testimony by
18 reiterating how much we would like to enter
19 Massachusetts and how we would be there in
20 Massachusetts today if it weren't for pricing.
21 Pricing is currently the showstopper for us and is
22 the reason that we are not in Massachusetts.
23 Clearly, in any other state where pricing has been
24 fixed, WorldCom has followed through on our

1 I think Ms. Huffman made a presentation here
2 comparing the retail rates with the wholesale rates.
3 I think what she has presented here to you is
4 evidence of what in economics we call a price
5 squeeze. A price squeeze is a situation where a
6 dependent competitor must go to an incumbent
7 monopolist for certain essential facilities. And
8 the incumbent monopolist can set the price that the
9 dependent competitor pays for wholesale facilities.
10 And a price squeeze is a situation where the
11 wholesale rates are being driven up so high relative
12 to the retail rates that the margin is being
13 squeezed.

14 And I think that's really the analysis
15 that Ms. Huffman made here, a prize squeeze. The
16 most egregious situation of a price squeeze is a
17 situation in which wholesale rates exceed the retail
18 rates. I think that's a matter of economics; that's
19 even more so as a matter of common sense. If the
20 margin is negative -- in other words, if you pay
21 more for your inputs than you can recoup in the
22 marketplace -- then by definition, of course,
23 competition is impossible. I think in our affidavit
24 we actually address the state of competition, the

Page 4639

1 number of unbundled elements sold in Massachusetts,
2 and I would say the proof is in the pudding, that
3 there's only a handful of unbundled elements being
4 sold, and that's not for lack of willingness on the
5 part of competitors. We have seen in other areas of
6 the country where the right price point's being hit
7 for UNEs and the floodgates go open, and both AT&T
8 and MCI WorldCom and other companies come pouring
9 in. So I think there is prima facie evidence here
10 that there is something wrong with the unbundled
11 network element rates.

12 MCI WorldCom asked me to take a look at
13 the cost studies that were presented five years ago.
14 Of course, my first response was, if these studies
15 were filed five years ago, then obviously they're
16 dated, because a number of events have taken place
17 in the industry. First of all, it's generally
18 recognized that we have a declining-cost industry,
19 so in any event, after five, six years you would
20 expect that the wholesale rate should have come down
21 as a matter of efficiencies that come about because
22 of technology changes.

23 Secondly, of course, there have been
24 mergers throughout the industry, but particularly in

Page 4641

1 switching-related UNEs in Massachusetts are very
2 high, and the Massachusetts UNE rate for switching,
3 for example, which is a cost that the company will
4 incur every time that a client -- that a customer
5 picks up the phone and begins to call, the clock
6 starts ticking, so that a per-minute-of-use charge
7 is incurred every time that a call is being made.
8 Seven tenths of a penny. Now, I've worked in
9 comparable jurisdictions, like New York, but also in
10 Texas and in the Midwest, in Illinois -- Chicago,
11 which I would think is comparable to Massachusetts
12 from a telecom perspective. Those rates that we
13 have found there were considerably lower. Texas
14 just adopted a rate of roughly one tenth of a penny.
15 So here we're looking at seven tenths of a penny.

16 I was doing this practice talk yesterday
17 with the attorneys, and I could see as I was
18 delivering my most damning evidence that something
19 is amiss here, their eyes were glazing over. When I
20 say seven tenths of a penny versus one tenth of a
21 penny, all you hear is very small numbers, and it's
22 very difficult to put this in perspective. So I
23 thought last night, well, let's make a comparison
24 here. Let's say that, instead of being in telecom

Page 4640

1 the Bell Atlantic region, and the motivation for
2 those mergers typically is merger savings. And so I
3 would say, at least I told the client, as an initial
4 reflex, well these rates must be outdated because
5 they don't incorporate the savings you would expect.

6 Nevertheless, looking at these UNE
7 rates, what I typically do as a consultant -- and
8 I've copied this from other consultants in the
9 industry -- you first apply the principle of the
10 red-face test. When you're confronted with piles of
11 studies, the way to tackle that most efficiently is
12 to say, okay, I know from other states and other
13 proceedings where I have participated, this is where
14 I expect costs to be. And you do a quickie
15 comparison. You say, "Well, do these rates here
16 pass the red-face test?" Then something invariably
17 stands out, and that's where you begin to look.

18 Looking at the Bell Atlantic UNE rates,
19 a number of rates of the important rate elements
20 stood out very painfully. And so immediately you
21 take a look at that and you come back and say, "This
22 doesn't really pass the red-face test." Ms. Huffman
23 made, I think -- put down numbers that speak for
24 themselves in large part. Particularly the

Page 4642

1 we're in the car industry and that we're looking to
2 open a dealership in the country. Let's say that we
3 want to sell Ford Sables and a Ford Sable is going
4 for \$25,000. Now, if I want to open a dealership in
5 Massachusetts, however, Ford will tell me, no, no,
6 no, we're three times as expensive or four times as
7 expensive as elsewhere in the country, and so when
8 you purchase your Ford Sable from me, you're going
9 to have to charge four times as much, so let's say
10 \$100,000. So that's the situation in Massachusetts.

11 But then look at other states, and I can
12 get my Ford Sable for a reasonable price from Ford,
13 and I can put a sticker price on it for \$25,000.
14 Obviously I would go to other states and I will not
15 go to Massachusetts, because we all know, \$100,000
16 for a Ford Sable is absurd. But if I say seven
17 tenths of a penny versus one tenth of a penny, you
18 don't have that same sense of indignation. And the
19 reason, of course, is that none of us buys switching
20 on an unbundled basis. It's just something -- we
21 don't go to the store and buy unbundled switching.
22 But, of course, there are some people in the room
23 here who will buy unbundled local switching. And,
24 of course, Ms. Huffman is one of those. And when

Page 4643

1 she looks at these rates, to her it makes no
2 difference whether we're talking about a Ford Sable
3 or unbundled switching: There is something out of
4 line with those rates.

5 So they asked me to look at those rates
6 and said, "Gus, why are those rates so much higher?"
7 Now, in this affidavit, which really isn't all that
8 big, but nevertheless, of course, it's one of the
9 more tedious documents in front of you -- and let me
10 quickly summarize to you some of the more egregious
11 errors, particularly with respect to switches.

12 When Bell Atlantic presented its cost
13 studies, one of the things that it did not tell the
14 Commission -- and not just in Massachusetts, but
15 they didn't tell it in other states, either -- that
16 it had vendor contracts for switching that included
17 very, very large discounts for purchasing new
18 switches. The only thing Bell Atlantic told us is
19 that it gets some discounts when it begins to grow
20 those switches, we call it, like place additional
21 facilities with those switches. Like a switch is
22 placed for, let's say, 50,000 lines, and then as a
23 wire center grows, more people order service, you
24 begin to add more ports, and those ports must be

Page 4645

1 percent, 90 percent. Now, those are huge discounts.
2 They were never mentioned during the cost
3 proceedings. It's only afterwards that we found out
4 that those discounts had applied. And, of course,
5 in New York the commission belatedly found out that
6 the same thing was going on, and it has reopened the
7 TELRIC proceeding that we're now in the midst of and
8 those vendor discounts feature prominently in that
9 proceeding. But the same thing has taken place in
10 Texas, where the Texas commission has included those
11 big discounts, and throughout the Midwest, the
12 commissions have also incorporated those discounts.
13 One place where these discounts are still noticeably
14 absent is Massachusetts. It's one of the big
15 reasons why these rates are so high.

16 Another egregious error I would like to
17 point to, because I think they are simple things to
18 explain, as opposed to many of the other ones that
19 are more esoteric: When you recover your
20 investment, you recover it over the course of a
21 year, at least your annual cost. Well, in my
22 calendar, there are 365 days, so I would have 365
23 days to recover my costs. In Bell Atlantic's cost
24 studies, a year only has 250 days. So at the end of

Page 4644

1 purchased -- the relatively low discount for that.

2 The huge discounts you get upfront were
3 not revealed to the intervenors. Of course, let me
4 step back for just a second. The reason why these
5 initial discounts are so large is because, as a
6 salesperson, if I were to work for a vendor, my
7 incentive is to say, "I need Bell Atlantic to buy my
8 switch, because once I've got that switch placed in
9 your central office and you want to grow the central
10 office, you have no other place to come to but me.
11 And therefore initially I give you a large discount,
12 so I've got you as a customer, and after that I
13 don't have to give you a big discount, because you
14 have no other place to go." So naturally we see
15 what we call a bifurcated discount structure.

16 To give you a sense how dramatic the
17 difference is -- and I'm not quoting from Bell
18 Atlantic's proprietary documents. But these vendor
19 contracts have emerged since in various places in
20 the country. If you add additional lines, you may
21 get a discount of 20 percent, which still strikes us
22 as large. But then when we finally saw the vendor
23 contracts that these companies operate under, the
24 initial switch can be placed at a discount of 80

Page 4646

1 the 250 days they will have recovered their entire
2 investment, and all these other days that the switch
3 still churns and they're making money, that's all
4 gravy. That's another reason why these costs are so
5 high -- and, of course, the compounding effect in
6 there, et cetera, et cetera.

7 Anyways, I would say even these two
8 factors that I've just mentioned, these two
9 errors -- and they're very, very dramatic, and they
10 account for the majority of the costs that are being
11 presented here, both the per-minute-of-use cost for
12 switching, but also the flat-rated port cost --
13 those errors do not depend on a particular costing
14 methodology. This is not, I would say, affected by
15 an Eighth Circuit decision or whether you do TELRIC
16 or some other type of cost. These are errors that
17 would invalidate any type of cost study, let alone a
18 TELRIC study.

19 Secondly, there's really no
20 justification for these type of errors. They cannot
21 be justified by saying Massachusetts is different
22 than New York or Massachusetts is different than
23 other states. The truth is, when you buy switches,
24 you buy them on a serving-area-wide basis. Bell

Page 4647

1 Atlantic does not go to Lucent Technologies and
2 Nortel and say, "Well, I've got one switch I want to
3 place in Boston. Let's negotiate." No, they go to
4 these vendors and they negotiate for the whole
5 region, because that gives them buying power.
6 Naturally, therefore, contracts come about that
7 cover large regions, and there's really no reason
8 why a switch in New York should be so much cheaper
9 than a switch in Massachusetts, yet that's what we
10 have seen.

11 There's a number of other errors that
12 you can find in the other cost studies. They're
13 found in my affidavit, and I won't go through that.
14 If you have questions, I'll be glad to answer them.

15 So this concludes my summary of my
16 affidavit.

17 MS. CARPINO: Thank you. Why don't we
18 complete the presentations, and then we'll begin
19 with questioning. Mr. LoFrisco?

20 WITNESS LOFRISCO: I'm Tom LoFrisco.
21 I'm the district manager for the Northeast local
22 services and access management group of AT&T. I'm
23 here today to talk about UNE rates as well. I
24 appreciate Ms. Huffman and Mr. Ankum for taking us

Page 4649

1 customer acquisition, some retail account
2 maintenance, other costs like that. The switch rate
3 in Massachusetts is roughly two times higher than
4 what's ordered in New York right now.

5 There are several problems with Bell
6 Atlantic's rates, and what I'm going to do is just
7 talk about the switch rate and the cost account.
8 The switch rate is inflated, because back when the
9 switch rates were originally set and the analysis
10 was originally performed about five years ago, the
11 switch input or investment prices for the analysis
12 were about seven and a half times higher than what
13 they should have been. If this one item alone were
14 corrected, switching UNE rates in Massachusetts
15 would be approximately one third of the originally
16 approved rates.

17 Verizon - Massachusetts UNE switch rates
18 as originally approved are 80 percent higher right
19 now than the grossly inflated rate that Bell
20 Atlantic is proposing in the current UNE proceeding
21 in New York. Even the recent 30 percent switch rate
22 discounts offered by Verizon to Z-Tel are not nearly
23 enough to bring Massachusetts switching rates to
24 cost-based levels.

Page 4648

1 through both the rates and showing the gross-margin
2 loss, as well as trying to present the rates in a
3 very simple fashion, because we get into a lot of
4 details here, but all in all, taking it and showing
5 it at a high level really demonstrates that there's
6 a significant problem.

7 I've prepared an opening statement here,
8 and I'll read that through and just conclude with
9 that. As WorldCom has explained in their
10 presentation of Ms. Huffman and Mr. Ankum and in
11 their prefiled declarations, and as AT&T has showed
12 in our July 18th, 2000 supplemental comments, the
13 Massachusetts UNE rates are much too high and create
14 a structural impediment to local market competition
15 in Massachusetts. No CLEC could profitably offer
16 statewide local residential service using UNEs.
17 Evidence to date shows that only a small number of
18 orders for UNEs have been placed in Massachusetts.
19 WorldCom has shown by the presentation of Ms.
20 Huffman that the gross-margin loss is somewhere
21 between \$13 and \$4. AT&T has shown in our
22 supplemental comments that the loss is about \$11.
23 Neither of these losses account for either AT&T's or
24 MCI's internal costs. Some of those costs are

Page 4650

1 To do a comparison of the Z-Tel rate
2 compared with Bell Atlantic proposed rates: The
3 Z-Tel rates are 20 percent greater than the grossly
4 inflated Bell Atlantic - New York proposed local
5 switch rate. The Z-Tel rate is 59 percent greater
6 than the grossly inflated Bell Atlantic - New York
7 proposed local switch common trunk port rate in the
8 current UNE proceeding. The cost of capital, which
9 impacts all UNE rates, is also inflated. If the
10 Department had maintained its original cost of
11 equity capital of 11.38 percent and had adopted the
12 debt-to-equity ratio of 40 to 60 percent, the
13 resulting weighted average cost of capital would
14 have been 9.95 percent, rather than 12.16 percent.
15 Again, the cost of capital affects all of the rates,
16 not just the switching rate. I'd just like to that
17 WorldCom in its affidavit has presented a compelling
18 comparison of the cost of capital in Massachusetts
19 with other states in Bell Atlantic's territory:

20 Even the CEO of Verizon, Ivan
21 Seidenberg, agrees that UNE rates are too high to
22 permit broad-based competition by CLECs using UNEs.
23 He's made these statements in the context of New
24 York, but I think I'll describe these comments.

Page 4651

1 Ivan Seidenberg told business analysts just last
2 week that CLECs cannot possibly make money selling
3 UNEs in New York, where they must pay Verizon \$22
4 per month and sell service to customers at \$24.95
5 per month. Quotes from Investor's Business Daily,
6 in the article titled Verizon's New York Fight Key
7 to AT&T Challenge, dated Tuesday, August 15th, 2000.
8 states as follows, and this is according to
9 Seidenberg; this is his quote. "Whoever is buying
10 AT&T's 24.95 product (its basic local service
11 package) knows they're not making any money on it.
12 What are their margins?"

13 The article goes on to say, quote, "It's
14 hard for AT&T and WorldCom to make money chasing
15 local customers, analysts say. Both lease local
16 phone lines from Verizon to reach customers.
17 Regulators say Verizon must lease its phone lines to
18 rivals at a discount. Still, leasing costs AT&T \$22
19 per residential customer per month, Seidenberg told
20 analysts."

21 In general the UNE rates in
22 Massachusetts, and especially the switching rate,
23 are extremely high.

24 MS. CARPINO: Mr. LoFrisco, do you have

Page 4653

1 viable UNE rates, the intent of the Federal law to
2 fully and irreversibly open local markets will not
3 be accomplished. Thank you.

4 MS. CARPINO: Thank you. Before we
5 begin questioning, let me introduce staff joining me
6 this morning on the bench. I apologize; I should
7 have done that the first thing this morning. To my
8 far right is Mike Isenberg, Scott Simon, Jeessoo
9 Hong, April Mulqueen, and Tina Chin. My name is
10 Cathy Carpino.

11 There are a number of attorneys who
12 weren't here the last time we did appearances, so
13 why don't we do that as well. For all of those
14 attorneys, please stand, state your name, and who
15 you're representing today.

16 MR. SCHNEIDER: I'm Mark Schneider, from
17 Jenner & Block, representing WorldCom.

18 MR. GOLDMAN: I'm Marc Goldman, from
19 Jenner & Block, representing WorldCom.

20 MS. JOHNSON: Cynthia Carney Johnson,
21 from WorldCom.

22 MS. CARPINO: Is there anyone else?

23 Ms. Reed, do you have any questions?

24 MS. REED: I have a couple, Madam

Page 4652

1 a copy of the entire article?

2 MR. SALINGER: We can get one and
3 provide it. We don't have one with us physically.

4 MS. CARPINO: Why don't you do that.

5 MR. SALINGER: We'd be happy to.

6 MS. CARPINO: Perhaps later today, if
7 possible.

8 MR. SALINGER: We'll do it as soon as we
9 can. Whether we can do it later today I don't know.
10 If I can just explain: We had the original article
11 electronically. It's not printing in a friendly
12 version. We'll track it down and then provide the
13 article.

14 MS. CARPINO: Thank you.
15 Please continue.

16 WITNESS LOFRISCO: Massachusetts UNE
17 rates are even higher than they are in New York.
18 Seidenberg's comments are consistent with the market
19 lack of local-exchange competition in Massachusetts.
20 Both demonstrate that UNE rates in Massachusetts are
21 so high that no UNE-based CLEC can profitably
22 compete with Verizon. If under these circumstances
23 Verizon obtains the Department's support for its 271
24 application without first ensuring commercially

Page 4654

1 Hearing Officer.

2 EXAMINATION

3 BY MS. REED:

4 Q. This first question is for Ms. Huffman. Ms.
5 Huffman, am I correct in understanding that the
6 switching rates are the only pricing issue that
7 WorldCom has?

8 A. [HUFFMAN] No, that is not correct. The
9 pricing issues WorldCom has in Massachusetts include
10 switching, port, and to a much smaller extent, the
11 loop.

12 Q. Are there any other UNE-P recurring rates
13 that you would seek to be revised, aside from those
14 three?

15 A. [HUFFMAN] In terms of monthly recurring
16 charges?

17 Q. Yes.

18 A. [HUFFMAN] The port and the loop are the
19 only two that are monthly recurring charges, that we
20 have to pay regardless of whether a customer makes a
21 call or not.

22 Q. And the switching, then, would be a
23 nonrecurring charge?

24 A. [HUFFMAN] The switching is a variable

Page 4655

1 charge that is paid on a per-minute basis, and so is
2 transport, which in my analysis is included in
3 switching. That, too, is paid on a per-minute
4 basis.
5 Q. Thank you. This next question is for Dr.
6 Ankum. In your presentation you referred to certain
7 cost studies -- for example, the cost studies that
8 used a Verizon calendar of, I believe you said, 250
9 days. That is the number, first, 250? Is that what
10 you said?
11 A. [ANKUM] Yes.
12 Q. What cost studies are you referring to?
13 A. [ANKUM] I think those were the cost studies
14 filed during the first UNE proceeding in
15 Massachusetts.
16 Q. Are you aware of whether that's the
17 consolidated-arbitrations case? Is that what you're
18 referring to?
19 A. [ANKUM] I believe so.
20 MR. ISENBERG: I would state for the
21 record that those are in fact the cost studies that
22 he would have to be referring to. The Department's
23 only reviewed one set of cost studies on UNE rates,
24 and that was in Phase IV of the consolidated

Page 4656

1 arbitrations.
2 MS. REED: So that would be the Phase IV
3 order that has the rates?
4 MR. ISENBERG: Yes.
5 MS. REED: Thank you.
6 Q. The next question is for Mr. LoFrisco. You
7 were referring to an analysis that the Department
8 made five years ago. Is that also the
9 consolidated-arbitrations case that Mr. Isenberg
10 just referred to?
11 A. [LoFRISCO] Yes.
12 MS. REED: I have nothing further.
13 Thank you.
14 MS. CARPINO: Does Verizon have any
15 questions?
16 MR. BEAUSEJOUR: Just a couple.
17 CROSS-EXAMINATION
18 BY MR. BEAUSEJOUR:
19 Q. Ms. Huffman, the port, loop, and switching
20 transport rates that you put on the board under
21 WorldCom's costs, those are Department-approved
22 rates that you used?
23 A. [HUFFMAN] That is correct.
24 Q. And we've established that these rates were

Page 4657

1 set in the consolidated arbitration. Was WorldCom a
2 party to that proceeding?
3 A. [HUFFMAN] I don't know the answer to that
4 question.
5 Q. Does Dr. Ankum know? Because he was a
6 witness in it.
7 A. [ANKUM] So you're counting on my memory.
8 Q. Yes.
9 A. [ANKUM] I believe they were.
10 Q. Was AT&T a party to that proceeding, Mr.
11 LoFrisco?
12 A. [LoFRISCO] Yes, we were.
13 Q. Did either AT&T or WorldCom take an appeal
14 from the Department's decision setting any of those
15 rates? Mr. LoFrisco?
16 A. [LoFRISCO] I don't know the answer to the
17 question.
18 A. [HUFFMAN] I don't know the answer to the
19 question, either.
20 A. [ANKUM] I believe that there is some appeal
21 pending -- or not pending, that an appeal has been
22 made, and I'm not sure where it is right now.
23 MR. BEAUSEJOUR: Could I ask as a record
24 request, or propose as a record request, that both

Page 4658

1 AT&T and WorldCom confirm whether they've taken an
2 appeal from the Department-approved rates and
3 specifically identify the issues regarding the
4 TELRIC studies that were the subject of that appeal.
5 MR. SALINGER: Ms. Carpino, as far as
6 AT&T, I can speed things up for the Department. The
7 Department's decision was issued, I believe, in
8 December of 1996. There was no appeal taken by
9 AT&T. The compliance filing that resulted in the
10 rates discussed by Ms. Huffman was filed by Bell
11 Atlantic, then NYNEX, I believe at the beginning of
12 February of 1997. The information that Ms. Huffman
13 and others have been presenting that has come to
14 light about rates, I think that the witness has
15 already explained, have come to light since February
16 of 1997.
17 MR. BEAUSEJOUR: So AT&T did not take an
18 appeal.
19 MR. SALINGER: As I so stated, yes.
20 MR. BEAUSEJOUR: If we could then just
21 ask the record request of WorldCom.
22 MS. CARPINO: That will be proposed
23 Record Request --
24 MR. LOPARDO: I'm Robert Lopardo,

Page 4659

1 regional director for public policy of WorldCom. To
2 answer that question directly: An appeal was taken
3 from those rates, but only with respect to loop
4 rates. As the AT&T attorney just explained, the
5 other matters that Dr. Ankum discussed in his
6 testimony this morning came to light after that
7 case, most recently in the last year. I should also
8 add that when we did find that additional
9 information, especially with respect to the
10 switching studies, we immediately filed with the
11 Department a request to reopen the cost case to
12 revisit rates.

13 MS. CARPINO: Thank you.

14 MR. BEAUSEJOUR: May I just ask Dr.

15 Ankum:

16 Q. What additional matters just came to light
17 that were mentioned by the WorldCom representative?

18 A. [ANKUM] As I said during my opening
19 statement, there's a number of developments in the
20 industry, having to do with the fact that we're
21 having a declining-cost industry, of course, and the
22 merger savings that could not have been anticipated
23 during the initial TELRIC proceeding. But I think
24 most specifically here the counsel for AT&T and MCI

Page 4661

1 list of items there that I believe skew the rates,
2 to the extent that there's an egregious price
3 squeeze.

4 Q. Do you know whether WorldCom presented any
5 of these issues during the course of the
6 Department's review of the TELRIC studies?

7 A. [ANKUM] I don't know to what extent the
8 items that I'm raising here have been raised or not.
9 As I noted, a whole bunch of issues have surfaced
10 since that could not have been anticipated, so some
11 of them clearly have not been raised.

12 Q. Other than the vendor switch discounts, what
13 other new items have recently come to light that
14 could not have been raised?

15 A. [ANKUM] I already mentioned to you, and
16 I'll mention again, the developments that have been
17 taking place in terms of merger savings, declining-
18 cost industry, the introduction of newer
19 technologies, like GR-303, that were not deployed
20 with the same intensity as they're being deployed
21 today. So there's a whole slew of issues.

22 And, of course, you know, one item that
23 we have not examined here is the nonrecurring
24 charges, and, of course, the whole idea about how

Page 4660

1 WorldCom were referring to the hidden vendor
2 contracts that reveal, first of all, that there are
3 discounts in there that nobody ever anticipated or
4 could possibly have anticipated. And secondly,
5 those contracts lay out in detail the relationship
6 between the vendor and Bell Atlantic, or in general
7 the vendor and any telephone company for which the
8 contract holds. There are all sorts of things one
9 can find in these contracts that were previously
10 unknown. These contracts just surfaced after most
11 of the initial TELRICs had been done, both in
12 Massachusetts and in other states, and they have
13 been great sources of new information.

14 Q. When was the last time you reviewed the
15 record in the consolidated arbitration with respect
16 to the TELRIC rates?

17 A. [ANKUM] When you say "review the record":
18 The only thing I reviewed is what I believe were the
19 costs that were filed, and all I have is a poor
20 photocopy. And so the things that I highlight in my
21 affidavit are the things I can glean without the
22 benefits of discovery. But even so, not having the
23 benefit of a contested proceeding and all the venues
24 of finding things out, I have already found a whole

Page 4662

1 unbundled elements should be provisioned has
2 changed. I mean, I think now there's a generally
3 accepted notion that it should be done through
4 electronic interfaces. I have not looked at the
5 nonrecurring studies, but in the initial stage of
6 the TELRIC proceedings it was fairly acceptable for
7 commissions to approve rates based on manual, very
8 intensive manual processes. Typically what you find
9 is that the nonrecurring charges, like what you
10 incur when you order a package of services, are very
11 high. But I've simply not had an opportunity to
12 look at those.

13 Q. Now, in the original TELRIC proceeding did
14 WorldCom present its view of what the appropriate
15 switch discount should be?

16 A. [ANKUM] I don't think that we put forth at
17 the time an affirmative case. I think when we went
18 into those proceedings we were handicapped by the
19 fact that we did not get some of the critical
20 models, like the SCIS model, the NCAT model, and
21 those are just nasty acronyms. But those are Bell
22 customer-developed models used by the RBOCs. And
23 it's only recently that we have been able to see
24 those models. At the time also we didn't know about

Page 4663

Page 4665

1 the existence of the switch vendor contracts, and so
2 we were severely handicapped. We went into those
3 proceedings the way that the Christians went into
4 the arena with the lions.

5 Q. So your answer is you don't know whether you
6 presented anything with respect to switch vendor
7 discounts.

8 A. [ANKUM] We didn't know that these contracts
9 had those very large discounts in them. We simply
10 didn't know that those governed the --

11 Q. You didn't know what a telecommunications
12 provider would get as a switch discount from
13 vendors?

14 A. [ANKUM] That's right, because as an outside
15 consultant I don't have the same relationship with
16 the vendor that Bell Atlantic does.

17 Q. Well, does WorldCom purchase switches from
18 Lucent Technologies?

19 A. [ANKUM] I think they do it on a very
20 different basis, as a long-distance carrier, than
21 Bell Atlantic. But I also thought that Bell
22 Atlantic had the burden of proof at the time; at
23 least I was operating under that assumption.

24 Q. Since the Department approved our rates, we

1 A. [HUFFMAN] Yes, and the discount if operator
2 services and directory assistance is taken is the
3 lower discount of 21 percent. If we were to do
4 resale, we would use the option whereby we would
5 want the directory assistance and operator services.

6 Q. If MCI is so interested in getting into the
7 Massachusetts market, why has the company decided
8 not to pursue a resale strategy, in light of the
9 fact that the margins in Massachusetts for resale
10 are comparable to the margins for UNE-P in
11 Pennsylvania, where MCI has entered the market?

12 A. [HUFFMAN] Can I actually take a minute to
13 illustrate on the white board as to why the 20
14 percent margin in Pennsylvania wouldn't quite
15 translate into 20 percent under resale? Just using
16 Pennsylvania as an example, actually, I will do
17 that. After I have done that, I will directly
18 answer the question as to why WorldCom has not
19 chosen the resale route. First I'd just like to
20 demonstrate on the white board the difference
21 between resale and using the unbundled-network-
22 elements route.

23 Just taking Pennsylvania as an example,
24 since that's what we were looking at: Revenue in

Page 4664

Page 4666

1 met the burden of proof, but that's beside the
2 point.

3 MR. BEAUSEJOUR: I have nothing further.
4 EXAMINATION

5 BY MR. ISENBERG:

6 Q. I have one question for Ms. Huffman. Ms.
7 Huffman, on a percentage basis, do you know what
8 MCI's margin is in Pennsylvania for UNE rates? I'm
9 looking at your --

10 A. [HUFFMAN] Exhibit H?

11 Q. Exhibit H, right.

12 A. [HUFFMAN] Twenty percent.

13 Q. And are you familiar with the Department's
14 resale discount in Massachusetts?

15 A. [HUFFMAN] Yes.

16 Q. What percent is that?

17 A. [HUFFMAN] It's about 21 percent.

18 Q. About 21 percent?

19 A. [HUFFMAN] About 21 percent.

20 Q. Are you sure of that?

21 A. [HUFFMAN] That's the information I have.

22 Q. I believe our resale discount is either 25
23 or 30 percent, roughly, depending on whether
24 operator services and directory assistance is taken.

1 Pennsylvania is \$22.23. There's a portion of this
2 revenue that's actually the subscriber line charge,
3 and that's \$4.35. The rest of it, \$17.98, includes
4 the local line charge, local usage, and feature
5 revenue. Then, in addition -- so that's the local
6 revenue number that we have provided in Exhibit H.

7 In addition to that, on the UNE-P we get
8 access revenue of \$4.53, to get our total revenue in
9 Pennsylvania of \$26.86.

10 If we were to use resale, you are
11 correct, we would get a 20 percent discount of this
12 number. We would not get a discount off of that.
13 We would have to pass that on directly to Bell
14 Atlantic, and we would not be able to collect the
15 \$4.53 in access revenue. The net result would be a
16 margin that would be well under the 20 percent we
17 see in Pennsylvania in Exhibit H.

18 Q. Have you calculated what that margin would
19 be?

20 A. [HUFFMAN] I can do it right now for
21 Massachusetts, since we know what the resale
22 discount is. Again, for Massachusetts, we've got
23 \$26.65, of which \$4.35, again, is for the subscriber
24 line charge -- leaving us \$22.21 -- which, again, is

Page 4667

1 made up of the local unlimited product that Bell
2 Atlantic sells, and that is the dominant product
3 across Massachusetts. It also includes a little
4 over \$2 in additional revenue because there are
5 certain areas that would not be included in the
6 unlimited package.

7 I just want to note -- I know I
8 mentioned this before -- that that additional \$2 is
9 something that we would get only in the Boston
10 metropolitan area, which is roughly one third of the
11 state. Outside of the Boston metropolitan area
12 their unlimited product is truly unlimited, except
13 in a couple of small areas. So in the majority of
14 the state actually we would not even collect that
15 extra \$2.

16 Then we have some feature revenue that's
17 also there in the 49 cents of touch-tone.

18 In addition, we have access revenue of
19 \$4.34, for a total of \$30.99. We would apply the
20 resale discount to the \$22.21 that we would get,
21 which would result in resale telco of \$17.55. We
22 would have to pass on the \$4.35; there would be no
23 discount off of that. And we would also not get to
24 collect access; that would go away. So our new

Page 4669

1 successfully pursued UNE-P in several states now,
2 and we do get synergies from using UNE-P and
3 continuing to use that as our strategy. We would
4 incur additional development costs if we were to try
5 to do resale in Massachusetts.

6 Q. Wouldn't you save money, though, on customer
7 acquisition, billing, other types of overhead costs,
8 as you already do have a large existing base of
9 long-distance customers in Massachusetts?

10 A. [HUFFMAN] But that would be true under
11 UNE-P as well. Correct?

12 Q. But it's also true under resale; correct?

13 A. [HUFFMAN] Yes. We do have some synergies
14 from the fact that we can sell both local and long-
15 distance. We actually factor in those synergies
16 when we consider our internal costs. And in
17 Massachusetts what we've been presenting so far is,
18 we've been presenting the revenue and telco numbers
19 before we consider any of our internal costs of
20 operation.

21 Q. Has the company considered pursuing a
22 temporary strategy of entering the Boston market
23 through resale while it pursues an effort to
24 encourage the Department to modify the UNE rates?

Page 4668

1 revenue now would just be the 26.65, and our telco
2 would be \$21.90, which would be a margin of \$4.75,
3 which is about 18 percent. That is relatively close
4 to the numbers in Pennsylvania.

5 There are some important differences as
6 to why we would not use resale to enter a market.
7 Resale does not allow us to do any kind of product
8 differentiation with Bell Atlantic's product. In
9 New York, where we've been selling for almost two
10 years now, we have a product that is a clone of Bell
11 Atlantic's product. We also have a product that is
12 a hundred call pack, that offers 100 calls for a
13 fixed rate, that is different from what Bell
14 Atlantic has done. And interestingly enough, our
15 experience has shown that the product that we have
16 created has been the No. 1 seller in New York, has
17 been the most popular product. UNE-P allows us to
18 do that kind of product differentiation, that resale
19 would not allow us to do. Under resale we would be
20 hostage to Bell Atlantic's products. We would have
21 to essentially turn around and provide exactly the
22 same product to customers.

23 The other reason why resale is not a
24 viable strategy for us is because we have

Page 4670

1 A. [HUFFMAN] If we were to try and pursue a
2 temporary strategy using resale, we would have to
3 incur fairly hefty development costs to go that
4 route in the hopes of eventually going the UNE-P
5 route. Again, the reason we like to do UNE-P is
6 because we do get synergies from the other UNE-P
7 interfaces that we've already built in the Bell
8 Atlantic territory. Our long-term strategy is
9 UNE-P, since that allows us to do product
10 differentiation.

11 Q. Thank you.

12 MS. CARPINO: Is there any redirect?

13 MR. SCHNEIDER: No.

14 MR. SALINGER: No.

15 MS. CARPINO: Let's change gears. I'd
16 like to thank the witnesses. I would like to thank
17 the Verizon witnesses for sitting in the same seats
18 as yesterday. We're going back to OSS.

19 Before we do, I have a housekeeping
20 matter. I want to forward on a number of record
21 requests that were made last week, proposed on the
22 17th -- one to Rhythms, the rest to Verizon.

23 The first is No. 320. I'll give hard
24 copies to both Rhythms and Verizon. No. 320 to

Page 4671

1 Rhythms: Please provide documentation that Rhythms
2 followed the escalation procedures with respect to
3 the alleged three-day outages in the Westford and
4 Westborough central offices. Specifically, provide
5 the trouble-ticket histories, including the names of
6 the Verizon representatives with whom Rhythms worked
7 and who indicated that Rhythms' technicians would
8 have to repair the virtual collocation equipment.
9 In addition, please indicate the number of Rhythms
10 customers who did not have service for any or all of
11 this three-day period.

12 Record Request 321, to Verizon: Please
13 recreate the chart on Page 3 of Exhibit 11 entitled
14 Race to Resolution for retail, as opposed to UNE-P,
15 service for the average receipt-to-appointment,
16 receipt-to-dispatch, and receipt-to-clear intervals.
17 Please include the number of hours for each
18 interval.

19 Record Request 322, also to Verizon:
20 Please see Page 3 of Exhibit 11. Please indicate
21 the percentage of repeat trouble tickets included in
22 the wholesale receipt-to-clear interval located at
23 the bottom of this page.

24 Record Request 323, to Verizon: Please

Page 4673

1 MR. HAZZARD: Correct.

2 MS. CARPINO: Let's go off the record.

3 (Brief recess.)

4 MS. CARPINO: We're going to go back on
5 the record. There's a slight change of plans.
6 During the break it was indicated to me that
7 WorldCom had a few questions for Z-Tel's witness,
8 Peggy Rubino, on pricing. So we're going to finish
9 up pricing right now, then go back to OSS.

10 Mr. Hazzard, would you introduce your
11 witness to us.

12 MR. HAZZARD: Good morning. Mike
13 Hazzard, from Kelley Dry & Warren, on behalf of
14 Z-Tel Communications. Our witness today is Peggy
15 Rubino, from Z-Tel Communications.

16 PEGGY RUBINO, Witness

17 MS. CARPINO: Do you swear or affirm
18 that the testimony you're about to give is the whole
19 truth?

20 WITNESS RUBINO: Yes.

21 MS. CARPINO: Do you have any
22 presentation to make on pricing?

23 WITNESS RUBINO: I don't.

24 CROSS-EXAMINATION

Page 4672

1 see Page 3 of Exhibit 11. Please provide the list
2 of metrics used to create this bar chart, the period
3 of time captured by this chart, and the exact
4 numbers for each measurement. In addition, please
5 provide the exact numbers for the no-access and
6 multiple-dispatch rates, and the duration of the
7 I-codes for both retail and wholesale.

8 Lastly, Record Request 324, to Verizon:
9 Please provide the CLEC-specific numbers for missed
10 percent appointment and mean time to repair for
11 April through June of 2000.

12 (RECORD REQUESTS.)

13 MS. CARPINO: Also, Ms. Hong made a
14 request, which we didn't formalize as a proposed
15 record request, to WorldCom, to provide some
16 information about IDLC. Mr. McDonald?

17 MR. McDONALD: We should be providing a
18 letter later today to answer at least part of the
19 question, one of the questions, and we're
20 researching one of the other questions proposed to
21 us.

22 MS. CARPINO: Thank you. I think that's
23 it. Mr. Hazzard, you had a number of OSS questions
24 for Verizon witnesses?

Page 4674

1 BY MR. McDONALD:

2 Q. You heard some testimony earlier today about
3 the Z-Tel negotiated rate that was recently filed
4 with the Department. That is described in the
5 agreement, promotional rate; is it not?

6 A. Yes, it is.

7 Q. Why didn't Z-Tel negotiate permanent rates
8 with Verizon?

9 A. Z-Tel negotiated this rate as an interim
10 rate until the Department set what we were hoping
11 would be permanent TELRIC-based rates. We assumed
12 when we negotiated this rate that the Department
13 would be acting on AT&T's petition to start a
14 proceeding to look or relook at the UNE rates.

15 Q. And the Z-Tel product offering that is in
16 Massachusetts that is local, that's a combined local
17 and long-distance product; is that right?

18 A. Yes.

19 Q. And that includes as well a number of
20 features that are part of the package; is that
21 right?

22 A. Yes.

23 Q. If a customer came to Z-Tel for local
24 service only, does Z-Tel offer local service in

Page 4675

1 Massachusetts?

2 A. We have the ability to disable the features.
3 We only offer one service, and it's a package of
4 features, local and long-distance minutes. We are
5 able, if the customer doesn't want call-waiting, for
6 example, we are able to disable that feature, but
7 the package price remains the same.

8 Q. So if a consumer wanted to eliminate
9 long-distance service or eliminate call-waiting or
10 eliminate call-forwarding or any or all of those,
11 they'd still pay the same rate that they would pay
12 if they got the whole package?

13 A. Correct.

14 Q. When did Z-Tel come into existence?

15 A. 1998.

16 Q. Am I right in saying that Z-Tel, because it
17 came into existence in 1998, didn't have the
18 opportunity to participate in the consolidated
19 arbitrations that resulted in the rates that the
20 Department approved, the UNE rates that the
21 Department approved?

22 A. My understanding, based on this morning's
23 conversations, those rates were set in 1996; so,
24 yes.

Page 4676

1 Q. And obviously Z-Tel, because it wasn't in
2 existence, didn't have the opportunity to appeal
3 those rates; is that right?

4 A. That's correct.

5 Q. Z-Tel was in existence when AT&T filed its
6 petition in March of this year. Did Z-Tel support
7 that petition?

8 A. Yes, we did.

9 Q. Notwithstanding the fact that you negotiated
10 rates with Verizon, does Z-Tel still support the
11 notion of the Department revisiting UNE rates?

12 A. Yes.

13 Q. Under the rates that were set by the
14 Department, would Z-Tel have been able to enter the
15 Massachusetts local market using the UNE-P strategy?

16 A. Z-Tel did enter the Massachusetts market
17 under the old rates, but we were not successful. We
18 had a price that wasn't attractive to consumers and
19 we knew it wasn't attractive to consumers, and we
20 didn't really market our product in Massachusetts.
21 But we do have some customers.

22 MR. McDONALD: Thank you. I have
23 nothing further.

24 MS. CARPINO: Ms. Reed?

Page 4677

1 MS. REED: One quick question.

2 CROSS-EXAMINATION

3 BY MS. REED:

4 Q. Ms. Rubino, the AT&T petition you referred
5 to in answering questions from Mr. McDonald, was
6 that the March 13, 2000 AT&T petition requesting the
7 Department to review and reduce existing recurring
8 charges for unbundled network elements?

9 A. Yes.

10 Q. Thank you.

11 MS. REED: Nothing further.

12 MS. CARPINO: Does Verizon have any
13 questions?

14 MR. BEAUSEJOUR: We have no questions.

15 MS. CARPINO: The Department has no
16 questions, either. Thank you, Ms. Rubino.

17 Before we go back to questions on OSS of
18 Verizon's witnesses, Mr. Rowe, you have some --

19 MR. ROWE: We have three factual matters
20 that came up, at least one of which was marked as a
21 pending record request. Others you suggested
22 perhaps the witness can get the information. Mr.
23 Sampson will address one, Ms. McLean will address
24 one, and Mr. Miller will address one.

Page 4678

1 BRIAN BARRY, MARILYN DeVITO, PAUL HAVEN,
2 KATHLEEN McLEAN, STUART MILLER, RICHARD
3 SAMPSON, THOMAS SAUTTO, SEAN J.
4 SULLIVAN, R. MICHAEL TOOTHMAN, JULIE
5 CANNY, and BETH ABESAMIS, Witnesses

6 WITNESS SAMPSON: Richard Sampson. I
7 was asked to research the documentation that was

8 provided about the availability of electronic
9 billing for UNE loops. On January the 12th an
10 industry mailing was sent advising that all
11 wholesale bills are now available in BOS BDT format,
12 and that industry mailing is available on the Web.

13 On January 20th we sent another letter
14 inviting all resellers and CLECs to an electronic-
15 billing workshop held on March the 22nd. That
16 letter and the agenda for that meeting is also on
17 the Web.

18 In addition, the CLEC handbook, Volume
19 3, Section 9.3.10, states that, quote, "UNE billing
20 is available as of February, 2000," close quote.

21 MS. CARPINO: Thank you.

22 WITNESS McLEAN: I was asked to provide
23 additional information about infrastructure change
24 notification to CLECs. When a specific outage can

Page 4679

1 be associated with a specific infrastructure change,
2 that information is conveyed to the CLECs via the
3 help desk in response to a particular incident.
4 This was done on June 26th with respect to the
5 router replacement that we had planned for the 27th.

6 As a normal course of business practice,
7 infrastructure upgrades are planned and implemented
8 by Verizon. Advanced notification to CLECs is not
9 done, nor is it required.

10 WITNESS MILLER: We were asked by Covad
11 Communications, I believe, how many DLECs were using
12 EDI and were placing DSL orders, and we found out
13 that there are six DLECs currently using EDI placing
14 DSL orders. There are, in addition, two DLECs who
15 are in test mode for EDI preorder services for DSL.

16 MS. CARPINO: Thank you.

17 Mr. Hazzard, you have some questions?

18 MR. HAZZARD: Yes.

19 CROSS-EXAMINATION

20 BY MR. HAZZARD:

21 Q. I have some questions for Brian Barry. Good
22 morning.

23 A. [BARRY] Good morning.

24 Q. Could you just describe the cut-through

Page 4681

1 date, so you don't have to honor the SMARTS clock.
2 If you send a clean order to the center before noon.
3 you would be allowed to have the next day as a due
4 date. If it is afternoon, it's two business days.

5 Q. So cut-through in one sense enables you to
6 reserve the existing facilities and provision retail
7 service generally more quickly -- retail consumer
8 service, I guess.

9 A. [BARRY] Yes, primary service.

10 Q. And do Verizon retail reps use cut-through?

11 A. [BARRY] Yes, they do.

12 Q. And you mentioned that cut-through is
13 available for resellers using LSOG 4. Is cut-
14 through available for UNE-P providers using LSOG 4?

15 A. [BARRY] Yes, it is. They still would check
16 off the cut-through field, but as of now they would
17 need to also check off the expedite field. It would
18 then bypass the SMARTS clock and the center would
19 process your order with the cut-through due date.

20 Q. So for resellers using LSOG 4, does
21 cut-through sort of flow through at a flow-through
22 Level 5?

23 A. That does flow through Level 5, my
24 understanding.

Page 4680

1 process in provisioning?

2 A. [BARRY] Sure. What would happen when the
3 CLEC or reseller is validating an address in a
4 preorder situation, they would view to see if
5 cut-through was available. If it did appear, then
6 when they submit the PON for the LSR to the TISOC,
7 two things would happen depending upon the format.
8 If it's an LSR -- if they're on LSOG 2, what we
9 request for you folks to do is check off the date
10 you're looking for, the cut-through due date, and
11 send it as an expedite. It will fall into the
12 center, and the center will honor the cut-through
13 due date.

14 For resale LSOG 4 -- I'm sorry, LSOG 4,
15 it does flow through, but by the CLEC or reseller
16 just checking off the expedite field -- I'm sorry,
17 the cut-through field.

18 Q. Could you describe the benefit of sort of
19 cut-through operationally?

20 A. [BARRY] Well, basically, it works for
21 pretty much residence primary lines, and it is
22 facilities or dedicated facilities that were at a
23 specific location, premise, customer premise. By
24 having a cut-through, it gives you a shorter due

Page 4682

1 Q. For UNE-P providers, does it simply go
2 through the Level 5?

3 A. [BARRY] Not at this time. It comes to the
4 center for the handoff to provide the cut-through
5 date.

6 Q. And for Bell Atlantic retail reps does it
7 just flow through, also? I know it's not quite
8 analogous, but is it....

9 A. [DeVITO] If the retail order is an eligible
10 order to be input to the DOE, our equivalent of
11 flow-through, it would flow through.

12 Q. So basically we're in a situation right now
13 where the reseller's orders have Level 5 flow-
14 through for cut-through but the CLEC orders -- CLEC
15 UNE-P orders do not flow through, they drop out
16 through some manual process by the center?

17 A. [DeVITO] They're currently dropping down
18 for Level 2 processing. However, we do have an
19 initiative to flow those through at Level 5, also,
20 for UNE-P.

21 Q. And Mr. Barry, in DTE-6-5, July 31st, 2000,
22 you state that, quote, "CLECs have been informed
23 verbally of the interim process," which is the check
24 off the box and hit expedite.

Page 4683

1 A. [BARRY] That's correct.
2 Q. Through what verbal means have you informed
3 CLECs? Was it through a call or that the wholesale
4 reps called the CLECs? What was that verbal
5 process?
6 A. [BARRY] At the time that we were aware of
7 the situation?
8 Q. I'm just curious how you informed CLECs
9 verbally of how to use the existing process, which
10 is for UNE-P CLECs, which is sort of check the box
11 and then --
12 A. [BARRY] Right. When they would call in to
13 the center and they were having difficulty, either a
14 rep may be able to answer the question or they could
15 speak with a manager. If they were having
16 difficulty getting an order through the system, they
17 could call for assistance.
18 Q. But there's been no sort of affirmative
19 broadcast message to UNE-P-based CLECs?
20 A. [BARRY] I don't know.
21 Q. Thank you. Also in DTE-6-5 you indicate
22 that the flow-through process -- it says Level 5
23 cut-through processing for platform services is
24 scheduled to be implemented in December, 2000. Do

Page 4684

1 you know what the probability of that implementation
2 is?
3 A. [BARRY] I don't.
4 A. [DeVITO] I don't have that probability. We
5 are targeting to get it done in December.
6 Q. Will that implementation be part of a
7 standard software release that's gone through the
8 change-control process?
9 A. [DeVITO] Yes, it will.
10 Q. And has this flow-through processing, has it
11 been discussed in change control to date?
12 A. [TOOTHMAN] Mike Toothman. At the August
13 change-control meeting we mentioned this initiative,
14 trying to target it for December.
15 Q. So it's mentioned, but is there any written
16 documentation that's part of change control that
17 this is on the list of upgrades to be put in place
18 by December?
19 A. [TOOTHMAN] No, there's been no written
20 information provided, no.
21 MR. HAZZARD: Could I ask for a record
22 request on the probability that this will be
23 implemented by December?
24 MS. CARPINO: That will be proposed

Page 4685

1 Record Request M.
2 (RECORD REQUEST.)
3 MR. HAZZARD: I have no further
4 questions.
5 MS. CARPINO: Thank you.
6 Mr. Salinger?
7 MR. SALINGER: Thank you.
8 CROSS-EXAMINATION
9 BY MR. SALINGER:
10 Q. Good morning, O multitudinous Verizon OSS
11 panel. My name is Ken Salinger. I'll be asking
12 some questions on behalf of AT&T.
13 First I'm going to ask to see whether
14 you can help clear up a few items that actually
15 arose before you joined us yesterday, during
16 testimony about UNE-L. The first topic may be for
17 you, Mr. Toothman. It has to do with the Dexter
18 software tool. Mr. Maguire was describing this. If
19 I understood correctly, this is a tool that Verizon
20 has been developing especially with respect to UNE-L
21 hot cuts to facilitate communication with CLECs and
22 to enable quicker identifications of busy CFAs.
23 My questions, Mr. Toothman, are: No. 1,
24 are you familiar with this Dexter software tool; and

Page 4686

1 No. 2, what is Verizon's planned implementation or
2 rollout schedule?
3 A. [TOOTHMAN] I'm not familiar with the tool,
4 and I do not know the implementation schedule.
5 Q. Is there anybody else on the panel who can
6 help us?
7 A. [McLEAN] Kathleen McLean. I'm familiar
8 with the tool. It was brought to my attention that
9 it was a tool that we were developing for internal
10 use that CLECs had expressed an interest in getting
11 access to. I requested the group using the tool to
12 have what we call a design review with the
13 information technology group, because there are
14 different standards that we apply to a tool that we
15 offer to the CLECs than a tool that we use
16 internally, in terms of availability, security, et
17 cetera. So I don't know if that design review has
18 been scheduled and held.
19 Q. It's quite possible I misunderstood Mr.
20 Maguire's testimony. I thought he was suggesting
21 that this tool could help solve certain problems
22 that CLECs had identified. Can you tell us whether
23 Verizon has made any decision about whether it plans
24 to offer this tool to CLECs?

Page 4687

1 A. [McLEAN] I don't know.

2 Q. May I ask the whole panel, or do I need to
3 see whether somebody else can help us?

4 A. [McLEAN] I would know if we had made a
5 judgment that it was available.

6 Q. Thank you. The second point of
7 clarification is actually following up on a question
8 that Mr. Rowe had asked to AT&T Witness Bill
9 Carmody. The topic, if I'm recalling correctly, was
10 the issue of late LSRCs for UNE-L orders. Mr. Rowe
11 asked Mr. Carmody whether AT&T's UNE-L orders were
12 being routed through Netlink or ECXpert today. My
13 questions to the panel is whether AT&T's UNE-L
14 orders are being routed through either of those
15 systems; if so, which one; and if not, please
16 explain.

17 A. [McLEAN] I'll answer that. C, neither of
18 the above. AT&T sends their UNE loop orders through
19 a mainframe VAN architecture, which is a residual of
20 an old architecture that we've kept in place because
21 AT&T is using it. We would encourage them to move
22 those orders and that traffic onto the Netlink
23 platform, where the majority of their orders are
24 processed today.

Page 4689

1 transactions that go through the Enview replicator.

2 Now, to the extent that we've changed
3 architecture to have common IP addresses, we have
4 moved Enview to do the same, to follow the same path
5 that the CLECs do. So that's something that has
6 changed since Mr. Garbarino's testimony.

7 Q. In what manner are the metric results
8 reported by Verizon for system availability adjusted
9 to take into account CLEC reports of system outages?

10 A. [CANNY] CLEC reports of system outages are
11 used to determine -- and to the extent that we find
12 that the problem was in the Bell Atlantic system,
13 are used and all those hours are counted as part of
14 the outage. In addition, if we find additional
15 outages not reported by CLECs, we use Enview.

16 Q. Ms. Canny, are you familiar with AT&T's
17 response to the Discovery Request DTE-AT&T-1-5,
18 which has to do with AT&T's log of preorder
19 interface outages?

20 A. [CANNY] No, I'm not.

21 Q. You and other members of the panel had some
22 responses yesterday to various aspects of AT&T's
23 discovery requests. I don't believe that anyone had
24 anything to say about AT&T's response to 1-5. Am I

Page 4688

1 Q. Turning to the opening presentation
2 regarding OSS's made yesterday by the panel:
3 Mr. Miller, you had mentioned in your presentation
4 the statistic of a 99 percent systems availability
5 rate for Verizon's OSS's. I take it it's the same
6 statistic that's cited in Paragraph 26 of Verizon's
7 August 4th supplemental OSS affidavit?

8 A. [MILLER] I believe Paragraph 26 refers
9 specifically to the CORBA interface, whereas my
10 reference was to the entire preorder interface
11 available.

12 Q. During last fall's technical sessions Mr.
13 Garbarino on November 4, 1999 -- and this is in the
14 transcript at Pages 721 to 722 -- explained that the
15 measurement of OSS availability generally, and I
16 think he also specifically spoke to preorder
17 interface availability -- is made using the
18 Enview -- I believe that's E-n-v-i-e-w -- robot. Is
19 that still true today?

20 A. [CANNY] This is Julie Canny. The measure
21 for OSS availability is taken from two means, and
22 that's articulated in the carrier guideline under
23 that measurement. It is a combination of reported
24 CLEC outages that is supplemented by OSS

Page 4690

1 correct? If any member of the panel spoke to the
2 response to DTE-AT&T-1-5 during the opening
3 presentation yesterday, please tell us.

4 MR. ROWE: It does not appear any
5 panelist did, Mr. Salinger.

6 MR. SALINGER: Thank you, Mr. Rowe.

7 Q. There are numerous instances of systems
8 outages reflected in this log. One of the ones that
9 certainly catches my eye is the preorder interface
10 outage from April 17 to April 19, covering a portion
11 of those three days. Ms. Canny, was Verizon
12 reporting that its preorder interfaces were
13 available at least 99 percent of the time during
14 April?

15 A. [CANNY] Our data does state that.

16 Q. If indeed -- well, let me be specific. Is
17 that true also for the CORBA interface?

18 A. [CANNY] It's specifically CORBA, yes.

19 Q. If the CORBA interface was out at various
20 times during April, as documented in AT&T's
21 discovery response, including this lengthy period,
22 over three days, that would be inconsistent with
23 reporting a 99 percent systems availability rate.
24 Am I correct?

Page 4691

1 A. [CANNY] Mathematically, that would be
2 correct.

3 Q. I didn't hear you; I'm sorry.

4 A. [CANNY] Mathematically, that would be
5 corrects.

6 Q. Do you have available to you today summary
7 information regarding CLEC reports from, say, April
8 as to the frequency of preorder interface
9 availability problems?

10 A. [CANNY] No, I do not.

11 Q. That's information that could be gathered
12 based on trouble tickets submitted by CLECs to
13 Verizon?

14 A. [CANNY] That's correct.

15 MR. SALINGER: I'd like to propose a
16 record request and essentially ask Verizon to take
17 the table that AT&T has provided in response to
18 DTE-AT&T-1-5 and flesh that out for the period from
19 April to the present, so that it shows, without
20 meaning to identify individual CLECs, shows the
21 totality of CLEC trouble reports for that period for
22 preorder system availability problems.

23 A. [McLEAN] I'd like to make a clarification
24 about the CORBA interface and how availability is

Page 4693

1 that goes into the metric calculation. If we can't
2 determine what the problem is on our side, we assume
3 the problem is on their side, because it is a
4 synchronous interface.

5 MR. SALINGER: Just so that it's clear
6 to the Bench: The AT&T response to DTE-AT&T-1-5
7 included in the last column for each outage problem
8 Bell Atlantic's stated reason for the problem. So
9 implicit in the record request is that Verizon
10 provide that information for the more complete list
11 of trouble tickets.

12 WITNESS McLEAN: And again, some very
13 current information as it relates to CORBA is -- we
14 have an active investigation underway right now with
15 AT&T about the CORBA interface. We're experiencing
16 a sporadic outage that appears to be a sequence of
17 events where a parsed CSR transaction follows an
18 address validation request. We have had joint
19 working sessions and conference calls on this.
20 We're having weekly updates between the two
21 companies on this, and we are working through a
22 diagnostic process. So there's a case where
23 incidents were observed but jointly we are trying to
24 find what the root cause is. When there's a

Page 4692

1 perceived by the CLEC with that interface. The
2 CORBA interface is a synchronous interface. What
3 that means is, a message between the trading
4 partners has to complete a round trip in order for
5 the system as a whole to be perceived as operating
6 correctly. Other preordering interfaces, the EDI
7 interface for example, is an asynchronous interface
8 for messaging. You send the message to one side, it
9 does its work, you send it back.

10 In CORBA the two pieces are cooperating
11 across the wide area network. When we do joint
12 diagnostics with AT&T about CORBA incidents,
13 sometimes it's unclear on which side of the
14 interface the problem is occurring. And so many
15 times we jointly reinitialize both servers, which
16 allows us to restore service to the CLEC and
17 continue.

18 MS. CARPINO: Do the records you
19 maintain on CORBA allow you to determine whether
20 it's an AT&T problem that's creating this issue?

21 WITNESS McLEAN: When there's an outage,
22 we do a root-cause analysis on that outage. If we
23 determine that it's a problem on the Bell Atlantic
24 side, we capture that as one of the outage incidents

Page 4694

1 sporadic problem, it's very difficult to diagnose,
2 but we continue to work at it until the service is
3 restored to the customer.

4 MS. CARPINO: Mr. Salinger's request
5 will be proposed Record Request N, as in Nancy.
6 (RECORD REQUEST.)

7 Q. When Verizon gets particular trouble tickets
8 dealing with -- let's stay focused on preorder
9 system outages -- and Verizon undertakes the kind of
10 root-cause analysis you've been discussing, how are
11 the results of that analysis communicated back to
12 the CLEC?

13 A. [McLEAN] In a variety of different ways.
14 If, again, in response to a specific outage, notice
15 that goes out, if the root cause is known at that
16 time, it's communicated through the help-desk
17 notification process, which is a broadcast to a wide
18 distribution, hundreds of people, on that
19 distribution. Sometimes there are specific carriers
20 that are having a problem, and they request a
21 technical conference call, and we get the
22 technicians from both sides on the conference call
23 and the information is shared that way. In the case
24 where there has been a severe or extended outage --